

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	2006 RMB millions	2005 RMB millions
<b>Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		1,252,217	965,505
Rentals received		384	387
Government grants received		5,000	9,415
Other cash received relating to operating activities		3,756	3,572
<b>Sub-total of cash inflows</b>		<b>1,261,357</b>	<b>978,879</b>
Cash paid for goods and services		(1,039,625)	(790,429)
Cash paid for operating leases		(6,087)	(5,629)
Cash paid to and on behalf of employees		(20,323)	(18,710)
Value added tax paid		(31,589)	(27,928)
Income tax paid		(19,564)	(20,998)
Taxes paid other than value added tax and income tax		(26,692)	(17,288)
Other cash paid relating to operating activities		(14,890)	(12,934)
<b>Sub-total of cash outflows</b>		<b>(1,158,770)</b>	<b>(893,916)</b>
<b>Net cash flow from operating activities</b>	(a)	<b>102,587</b>	<b>84,963</b>
<b>Cash flows from investing activities:</b>			
Cash received from sale of investments		510	417
Dividends received		617	668
Net cash received from sale of fixed assets and intangible assets		349	510
Cash received on maturity of time deposits with financial institutions		1,283	1,462
Other cash received relating to investing activities		557	386
<b>Sub-total of cash inflows</b>		<b>3,316</b>	<b>3,443</b>
Cash paid for acquisition of fixed assets and intangible assets		(76,701)	(65,031)
Cash paid for acquisition of fixed assets and intangible assets of jointly controlled entities		(382)	(2,474)
Cash paid for purchase of investments		(3,569)	(3,605)
Cash paid for purchase of time deposits with financial institutions		(916)	(565)
Cash paid for acquisition of operating assets and related liabilities from Sinopec Group Company		—	(3,128)
Cash paid for acquisition of subsidiaries		(21,971)	(4,324)
<b>Sub-total of cash outflows</b>		<b>(103,539)</b>	<b>(79,127)</b>
<b>Net cash flow from investing activities</b>		<b>(100,223)</b>	<b>(75,684)</b>
<b>Cash flows from financing activities:</b>			
Cash received from contribution from minority shareholders		1,255	129
Cash received from issuance of corporate bonds, net of issuing expenses		22,689	9,875
Cash received from borrowings		763,771	550,557
Cash received from borrowings of jointly controlled entities		87	3,954
<b>Sub-total of cash inflows</b>		<b>787,802</b>	<b>564,515</b>
Cash repayments of corporate bonds		(21,000)	—
Cash repayments of borrowings		(753,979)	(557,432)
Cash paid for dividends, profits distribution or interest expenses		(20,097)	(17,365)
Dividends paid to minority shareholders by subsidiaries		(722)	(1,611)
<b>Sub-total of cash outflows</b>		<b>(795,798)</b>	<b>(576,408)</b>
<b>Net cash flow from financing activities</b>		<b>(7,996)</b>	<b>(11,893)</b>
<b>Effects of changes in foreign exchange rate</b>		<b>(25)</b>	<b>(22)</b>
<b>Net decrease in cash and cash equivalents</b>	(b)	<b>(5,657)</b>	<b>(2,636)</b>

The notes on pages 86 to 115 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2006  
notes to the consolidated cash flow statement

	2006	2005
	RMB millions	RMB millions
<b>(a) Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	50,664	39,558
Add: Provision/(reversal of) for allowance for doubtful accounts	253	(144)
Provision for diminution in value of inventories	102	82
Depreciation of fixed assets	33,627	30,845
Amortisation of intangible assets	633	986
Impairment losses on fixed assets	600	1,851
Impairment losses on long-term investments	48	77
Net loss on disposal of fixed assets and intangible assets	1,646	2,202
Financial expenses	6,729	5,266
Dry hole costs	3,960	2,992
Investment income	(91)	(890)
Deferred tax assets	(939)	(1,733)
Increase in inventories	(3,203)	(25,078)
Increase in operating receivables	(1,196)	(2,256)
Increase in operating payables	9,058	28,303
Minority interests	696	2,902
<b>Net cash flow from operating activities</b>	<b>102,587</b>	<b>84,963</b>
<b>(b) Net decrease in cash and cash equivalents:</b>		
Cash and cash equivalents at the end of the year	8,088	13,745
Less: Cash and cash equivalents at the beginning of the year	13,745	16,381
<b>Net decrease in cash and cash equivalents</b>	<b>(5,657)</b>	<b>(2,636)</b>

These financial statements have been approved by the board of directors on 6 April 2007.

**Chen Tonghai**

Chairman  
(Authorised representative)

**Wang Tianpu**

Director,  
President

**Dai Houliang**

Director,  
Senior Vice President and  
Chief Financial Officer

**Liu Yun**

Head of Corporate Finance  
Department

The notes on pages 86 to 115 form part of these financial statements.